



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA  
Chief Executive Officer

July 18, 2012

To: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

Board of Supervisors  
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MARK RIDLEY-THOMAS  
Second District

ZEV YAROSLAVSKY  
Third District

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Fifth District

## **RESOLUTION OF COUNTY OF LOS ANGELES EXCESS COST CLAIM AGAINST TRISTAR RISK MANAGEMENT, INC., FOR WORKERS' COMPENSATION EXAMINER FRAUD**

This is to advise the Board that the Chief Executive Office (CEO) is resolving its claim for excess cost involving fraudulent activities by employees of Tristar Risk Management, Inc. (Tristar), a County of Los Angeles (County) workers' compensation third-party administrator. Under the terms of the contract with Tristar, the CEO is authorized to pursue and collect excess costs incurred by the County as a result of Tristar's acts or omissions in adjusting County workers' compensation claims.

On July 2, 2009, CEO Risk Management Branch (RMB) staff identified questionable payments made by Tristar's adjusters. Pursuant to our usual and customary practice, we audited Tristar's performance to determine whether Tristar was required to reimburse the County for the excess cost caused by Tristar's performance of its contract.

The audit disclosed that several Tristar adjusters were involved in the fraudulent referral and billing of workers' compensation services. With significant assistance from Tristar's management, the investigation resulted in the filing of a suspected potential fraudulent claim with the California Department of Insurance (CDI) and the County's District Attorney's office (DA).

Over the next 14 months, CEO RMB and Tristar staff cooperated with CDI and the DA, culminating in the arrest and conviction of six individuals who were involved in the fraudulent activities. The criminal investigation determined that the fraud was an isolated event committed by three Tristar employees and their family members, and not a scheme perpetrated by Tristar against the County. The County has received \$121,000 in restitution from the criminal defendants.

*"To Enrich Lives Through Effective And Caring Service"*

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Additionally, the audit identified a potential reimbursable cost of just under \$1,500,000; however, audits performed by Tristar indicated that some of the services were actually provided and required, and thus, the actual reimbursable cost was only \$600,000. After considering the position asserted by Tristar, the audit verified some services were provided and concluded that Tristar was obligated to reimburse the County \$1,000,000 for the excess cost caused by the fraudulent activities; Tristar has agreed to pay this amount to the County.

The CEO will work with the Board to finalize the settlement agreement with Tristar.

If you have any questions regarding this matter, please contact Steve NyBlom at (213) 351-5346.

WTF:ES  
SEN:AR:rn

c: Executive Office, Board of Supervisors  
County Counsel